UNITED STATES DELEGATION REPORT

UPU POSTAL OPERATIONS COMMITTEE AND COUNCIL OF ADMINISTRATION

16 March – 6 April 2009

INTRODUCTION

This report recaps the work of the March-April 2009 sessions of the UPU Postal Operations Council (POC) and Council of Administration (CA), which were held in Bern, Switzerland. The decisions taken by these Councils of most importance to the United States included the following:

- Approval of quality of service targets for 2010 for purposes of terminal dues remuneration;

- Advancement of work to promote standard messaging for advance electronic transmissions between postal and customs administrations;

- Initiation of a market study on letter post and postal parcels, which will provide econometric analysis of physical cross-border postal services and recommend strategies based on price elasticities and other indicators;

- Adoption of a mechanism to address inward land rate appeals for postal parcels;

- Formation of teams within the Reform of the Union Project Group to address the UPU mission statement and the legal and financial status of cooperatives;

- Endorsement of the work of the Consultative Committee in the areas of addressing, revenue protection, sustainability, and membership;

- Approval of U.S. proposals to amend the Letter Post Regulations to replace the term "postal administration";

- Agreement to develop criteria for the exclusion of observers from working group and Committee meetings, including the Customs Group;

- Signature of a Memorandum of Understanding between the UPU and U.S. Direct Marketing Association;

- Commitment by the International Bureau (IB) to ensure the timely distribution of documents in soft and hard copy.

The U.S. delegation was led by Gerald Anderson, Deputy Assistant Secretary of State of the Bureau of International Organization Affairs. Other members of the delegation included Dennis Delehanty, James Huskey, and Otto van Maerssen of the Department of State; Patricia Barnwell, Clayton Bonnell, Peter Chandler, Tom Day, Lea Emerson, William Gilligan, Jr., John Holden, Brian Hutchins, Bruce Marsh, Laree Martin, Flori McClung, and Oscar Villanueva of the U.S. Postal Service; Allison Levy of the Postal Regulatory Commission; Philip Warker of Customs and Border Protection; and Israly Echegaray of the Department of Commerce.

PART I: POSTAL OPERATIONS COUNCIL

PLENARY

For this Plenary session, POC Chairman Andreas Taprantzis and the International Bureau organized an innovative conference on the impact of the global economic crisis on the postal sector in which the CEOs of several national postal operators took part, including Postmaster General John Potter, who addressed participants via a transatlantic video link. Other postal CEOs who spoke at the event were those of France, Hong Kong, Italy, Morocco, Netherlands (TNT Post), and Russia. Members also heard the perspectives of representatives from the Bank of Greece, the International Monetary Fund, eBay International, the U.S. Direct Marketing Association, and the International Telecommunication Union, whose Director General, Hamadoun Touré, stressed that the economic crisis could be seen as an opportunity for longer-term growth. Common themes among the speakers were the importance of cutting costs, improving efficiencies, and diversifying product portfolios.

In addition to the customary reports by the Postal Security Group, the QSF Board of Trustees, Consultative Committee, and the EMS and Telematics Cooperatives, several delegates expressed their displeasure with the IB's tardiness in producing documents for the meetings held during the POC session. The IB committed to improving its performance in this regard for the fall 2009 CA session.

QUALITY OF SERVICE

Global Monitoring System (GMS) Implementation Group

The GMS Implementation Group, chaired by Switzerland, took note of updates on the pilot, which is scheduled to begin during the second half of 2009 and operate for 21 months. Upon recommendation of the UPU Tenders Committee and the GMS Technical Advisory Group, the Director General is scheduled to select the winning bids for the tendering of the system equipment and panel management in early April. The Group received a briefing on the system's third component, called the Central Management Information System, developed by the Postal Technology Centre (PTC) and ready for use in analysis and performance reporting by the IB and the 20 participating countries. The Group also heard an update on the governance structure for GMS, which contemplates formal creation of the GMS User Group in early 2010 to which two subgroups would report: one to manage the legacy system (International Post Corporation/Research International) and another to oversee the new system. The United States provided information on financing the project, including approval by the Board of Trustees of the Quality of Service Fund (QSF) of $2.3 million for the first phase of the pilot. The Group will request QSF funding for the second phase of the pilot later in 2009. At a workshop held on March 26, the Group briefed participating pilot country project managers on the project requirements over the next two years. In this briefing, the United States provided examples of the cost and benefit of participating in the pilot along with potential future gains for operators from the quality link to terminal dues.

Quality Improvement Group

Under the chairmanship of Singapore, the Quality Improvement Group reviewed its work plan, which includes two major projects led by the United States: the development of key performance indicators for operators to improve overall service performance and continued development of report cards. In a report on the UPU Continuous Testing program, the IB noted a decline of worldwide performance from 57.8% in 2006 to 54.7% in 2008 based on the J+5 worldwide standard. The IB announced a new effort to reach the worldwide target of 80% (with a J+5 standard) set by Geneva Congress Resolution C52 that will integrate UNEX end-to-end results. The IB also reported on the results of the survey required under Geneva Congress Resolution C 46 (itself the result of a U.S. proposal submitted at that Congress) which ranked GMS and Quality Certification as the most important quality of service programs administered by the IB, while sequential testing was considered to be the least important. The IB recommended that the sequential testing program be discontinued in order to better utilize those resources for GMS implementation.

Quality of Service Fund

In its quarterly meeting in Bern, the QSF Board of Trustees focused much of its attention on proposed revised versions of the Fund's basic documents – the Deed of Trust, Project Management Manual, and Financial Management Manual – in light of Geneva Congress decisions regarding the rates and structure of payments into the Fund and the classification of countries.

The Geneva Congress had instructed the POC to propose a system of electing the nine members of the Board of Trustees, taking into account the need for both accountability of Board members and continuity of knowledge on the Board itself. The task of devising the structure of these elections was assigned to the Board of Trustees, which proposed an annual election in which three of the nine Board members would each be elected to a three-year term. The geographical distribution of Board members and the balance between developing countries (five members) and industrialized countries (four members) would remain intact. The current Board of Trustees was elected by the POC in 2001, but no election has been held since.

The proposal put forward by the Board of Trustees and later adopted by the Plenary, would call for elections of three Board members at the 2010 POC. The Board itself would attempt to determine the order in which the nine seats would be put up for election; if the Board cannot agree, then the order of seats available for election will be decided by a drawing of lots at the POC Management Committee in November 2009.

The revised Finance Management Manual, also later approved by the Plenary, carries references to the principles and strategies to which the QSF Board shall adhere in its management of the QSF financial portfolio. These principles and strategies, which are highly conservative, seek above all to preserve the QSF capital.

LETTERS (COMMITTEE 1)

Committee 1, co-chaired by Great Britain and Switzerland, approved the 2010 Quality Link to Terminal Dues targets of 88% for Industrialized Countries, 85% for Group 2 countries, and

75% for Group 3 countries. (Please see the list of countries in Groups 1, 2 and 3 in Annex 1.) New entrants will be evaluated on a case-by-case basis.

The Committee decided that the Rules of Procedure Group should be extended from December 31, 2009, through the 2010 POC session to allow time to evaluate the implementation of the Global Monitoring System and ensure an orderly and smooth transition from the current measurement system to the new arrangements. The Committee also approved the initiation of a market study on letter post and parcel services for completion by December 2009, which is expected to provide a detailed econometric analysis of physical cross-border postal services and recommended strategies based on price elasticity and other indicators. The IB will first determine what part of this study could be carried out by IB staff before drafting work requirements for tender documents. The U.S. delegation presented the report on the work of the Direct Mail Advisory Board (DMAB), noting a change in the membership approval process for postal operator applications, which will no longer require a recommendation by the Steering Committee or approval by the DMAB Assembly.

The Committee also approved a comprehensive set of U.S. proposals to replace the term "postal administration" with "member country" and "designated operator" in over 30 articles in the Letter Post Regulations.

Terminal Dues

The Chairman of Terminal Dues Group, Marc Paignt of Belgium, presented an overview of the Group's ambitious 2009-2012 work plan. The main areas of focus are model/methodology, statistics and accounting, and quality link. Germany and Great Britain, which are responsible for model/methodology, presented an overview of their work, which will include questionnaires on costs, tariffs, and flows. This work will incorporate lessons learned from the Bucharest cycle, which are to begin data collection earlier and make better use of UPU Regional Coordinators and Restricted Unions to improve survey response rates. The Group will review current methodologies, including the current 20-gram methodology versus a new multi-tariff referencing with linearization, and analyze the impact of policy issues on rates, such as those that address universal service obligations and competition.

In the area of statistics and accounting, the Group agreed that training on statistical sampling would be needed to assist the operators of new target countries. Setting standards and targets for the Quality Link Measurement System drew keen interest. For 2010, the Terminal Dues Group proposed lowering the target for the Group 3 countries Brazil, Jamaica, and Ukraine to the more realistic target of 75% and agreed to maintain the 88% target for Group 1 countries, which includes the United States. Considerable discussion revolved around the targets for the Group 2 countries of Greece, Latvia, and Malta. While the Group initially set the targets for these three countries at 84%, the Steering Committee, led by Germany, increased the target to 85% while deciding against a proposal by the Netherlands to increase Group 1 targets from 88% to 89%. Based on an earlier decision to allow Spain to use its J+3 nationwide delivery standard, the Group will continue to collect data on delivery standards with a view to developing a compromise that respects national delivery standards and ensures fairness to dispatching operators.

Transport Group

The Chair of the Transport Group, France, reported on the status of implementation of Geneva Congress Resolution C54, which seeks the cooperation of the International Air Transport Association (IATA) and airlines in recognizing postal air waybill numbers combined with postal product codes for operational purposes. IATA has confirmed its support for this process. The Transport Group will inform UPU members when it might be possible to transport mail under postal air waybill numbers. Certain issues, such as the common definition of dispatches, still require clarification.

The Group reviewed recent UPU discussions with IATA regarding the following topics:

- *The draft model airline–post framework agreement* was discussed with IATA and airline representatives in Bangkok in early March. The Netherlands will lead a group to examine IATA's proposals and aim to present a finalized version of the model agreement to the IATA–UPU Contact Committee and the Transport Group for approval in November.

- *Measures to promote EDI exchanges between designated operators and airlines.* Denmark, Netherlands, and the International Post Corporation (IPC) will carry forward this work.

- *New draft IATA airport handling manual.* The Group will provide IATA with suggested amendments to this document.

- *Problems relating to airmail transit.* Germany will lead a group to address study of these issues and possible solutions that might be pursued by other POC groups.

The Group also reviewed the progress of the study on the basic airmail conveyance rate. While many operators have secured separate arrangements for rates to transport their international mail, they agreed that this study should continue. In the meantime, the Group recommended that Committee 1 approve the basic airmail conveyance rate under its current formula.

Direct Mail Advisory Board

The Direct Mail Advisory Board (DMAB), chaired by Sami Alowedi of Saudi Post, held its Assembly on March 26. The DMAB Steering Committee meeting took place on the previous evening, when the USPS was chosen as the new DMAB postal Vice Chair. Over 100 members, observers, and invitees attended the Assembly where speakers from academia and postal operators from Canada, Great Britain, and the South African Post Office delivered keynote presentations on the theme "Direct Mail by Small and Medium Enterprises – An Opportunity for Postal and Economic Growth." The presentations are available on the UPU website.

The DMAB launched the *Direct Mail Guide for Developing and Least Developed Countries in the Digital Age*, written by Mary Teahan, a marketing consultant based in Argentina. This book is designed to help the posts of developing and least developed countries foster the use of direct mail in their respective markets. Several participants praised the extensive work accomplished with this guide and requested that it be translated into other UPU working languages to serve as a valuable tool for training, promotion, and growth of direct mail worldwide.

The IB reported on progress to date in implementing the 2009-2012 DMAB Business Plan approved last fall, including the addition of seven new members: Iraqi Post, KazPost, Postal Corporation of Kenya, Click2Mail and DST Output (both from the United States), DMS (Saudi Arabia), and GMC Software (Switzerland). The DMAB also approved a minor revision to its Rules of Procedure to allow postal operators of UPU member countries to join the DMAB without the need to refer such applications to the Steering Committee for recommendation and to the DMAB Assembly for approval. The theme for the next meeting, to take place during the 2009 CA, will likely be multi-channel marketing.

PARCELS (COMMITTEE 2)

Committee 2, which met on March 30 under the chairmanship of New Zealand, reviewed volume trends, market analyses, and performance for international postal parcels and heard presentations by several postal organizations showcasing efforts to improve the parcel product.

The Committee reviewed proposals to amend the Parcel Post Regulations and took decisions concerning postal parcels development. A U.S. proposal to clarify use of the "Cricket" Web-based system for customer inquiries was approved, but another U.S. proposal to adjust the inward land rate bonus feature for home delivery, which is difficult to measure, failed to generate support. Another U.S. proposal to modify current parcel delivery requirements to allow acceptance of scanning at delivery for pay-for-performance purposes did not succeed, however the content of the proposal was referred to the Committee's Product Development and Marketing Group for further study.

Quality Improvement Group

The Parcels Quality Improvement Group, which the United States chairs, confirmed that its key goals are performance measurement, further development of the Cricket inquiry system and a more regional approach for improving the parcel product.

The production of monthly quality of service reports is critical since parcel inward land rates from 2010 onwards will include a performance factor. These reports will need to address such issues as trends, items with event E (handover to Customs) and no subsequent event F (release from Customs), and the time elapsed between event C (dispatch from the origin country) and event D (arrival in the destination country).

Further development of the Cricket inquiry system will be led by Belgium. Reporting on the status of the operational guide for the system, the IB announced that it would eliminate text that is in dispute with IPC, the service provider, and publish the final version of the guide shortly after the POC session. Users have expressed serious concerns that disputes between IPC and the IB have delayed the release of these documents.

Customs Group

In a surprise decision made the day before the meeting, the Chairman of the Customs Group, Reinhart Fisher of Deutsche Post/DHL, announced that participation by private sector stakeholders would be limited to about one-third of the items on the March 25 meeting agenda. Specifically, all members of the UPU Consultative Committee were excluded from the meeting hall during the discussion of the remaining two-thirds of the items on the meeting agenda. In practice, this meant that two of the four integrators, DHL and TNT (as represented by Netherlands), attended the full meeting, while Fedex and UPS were shut out of the two-thirds of the agenda items considered to be "confidential." The U.S. delegation protested vigorously against this action (and raised this issue subsequently in Committee 2 and the POC Plenary). The U.S. insisted, and the Chairman agreed, that specific criteria should be developed for the exclusion of observers from the Customs Group meetings.

The Group noted the progress underway within the UPU to implement electronic data interchange (EDI) between posts and customs, work on messaging standards, incorporate enhancements to IPS, and make progress on the MEDICI project. [MEDICI, which stands for "Mails Electronic Data Interchange and Customs Integration," is a project in which several national postal operators develop and test technical standards for transmission of electronic customs data.] India intends to join MEDICI, and China could join once its capabilities for capturing and receiving electronic customs data are sufficiently robust. This is a major development, since U.S. Customs and Border Protection is pushing for operational trials with a range of postal operators to advance to implementation of the customs provisions of the 2006 U.S. Postal Accountability and Enhancement Act.

Product Development and Marketing Group

This Group, which Russia chairs, assigned Canada to lead a team which will work on developing the future minimum specifications for parcels. The focus of the work will be on customer inquiry performance targets, parcel identification, proof of delivery issues (delivery versus receipt by customer), and liability.

Remuneration Group

This Group, which Kenya chairs, approved the new procedures for appeals by operators against determinations made by the IB on the application of bonus features for parcel inward land rates. The Group also approved validation criteria prepared by the United States as well as the rules for the IB to follow in determining which members are eligible for bonus payments.

POSTAL FINANCIAL SERVICES (COMMITTEE 3)

Meeting under the chairmanship of India, Committee 3 approved updates to the Postal Payment Services Regulations as well as the forms and models for electronic reports.

At the meeting, the IB presented draft trademark regulations and procedures for registering the collective trademark. Canada expressed reservations about discussing

this issue when development of a collective trademark remains a work in progress, and stressed that trademarks already in use by postal operators could potentially conflict with the UPU trademark. The U.S. delegation stated that some postal operators may not have adequate resources to monitor infringement, which is essential to maintain a trademark's value, adding that the fee paid by each user should cover the costs of protecting the trademark. The IB responded that if the UPU were to monitor infringement of the trademark, the fees to be paid by each user would be much higher. While some members said the trademark should be mandatory, Spain observed that the Committee had already discussed this possibility and concluded that forcing member operators to use the mark was counterproductive. Further, the United States pointed out that, according to the Postal Payment Services Agreement, the mark is optional.

Forum on "Expanding the Worldwide Electronic Payment Network"

This Forum, held on March 31, featured presentations by several operators on their experience in managing their electronic payment networks within their respective regions. It is thought that these regional experiences could help guide UPU's efforts in deploying a worldwide electronic payment network. All presenters agreed that product pricing and a speedy service are critical for increasing market share; also important are the positioning of a brand as part of an overall marketing strategy, regional management, and clearing centers. Some participants raised concerns that regional trademarks could detract from the value of the global trademark that the UPU wishes to develop.

Development Group

In an introductory presentation, the Chair of this Group, the United Arab Emirates, focused on capacity building and the importance of the regional approach to the work of the UPU. Introducing a draft action plan for the UPU's worldwide postal payment network, the IB suggested a funding approach based on the Quality of Service Fund model under which portions of inter-operator payments are reserved for quality of service improvements. The Chairman requested that the IB develop a more concrete proposal on this concept to facilitate in-depth discussions at a later meeting. France stressed the importance of ensuring that the network is "technology-neutral" and pointed out that the UPU network is not limited to IFS. (IFS, for "International Financial System," is an application developed by the PTC for postal financial services.)

Noting that one of the main goals in this Group's four-year plan addresses the measurement of quality of service standards, the U.S. delegation emphasized the need to set quality of service targets that link remuneration to the collective brand as a first step before moving forward with performance measurement.

Financial Relations Group

In addition to endorsement of its 2009-2012 action plan, discussions at the March 25 meeting of this Group focused on a document produced by Mexico (the Chair of the Group) on risk management guidance for postal financial services. The document provided ideas, terms, and conditions for postal operators to discuss and agree upon including "Know Your Customer" processes, compliance reports, risk categories, payment systems, and business planning.

The IB made well-received presentations on electronic billing, a clearing system that seemed to recommend use of IATA as a partner for the IFS system rather than Citibank (both organizations had responded to a tender regarding these services), and a suggested study to determine the costs of IFS.

TECHNOLOGY AND STANDARDS

Committee 4 (Standards and Technology)

Under the chairmanship of Italy, Committee 4 reviewed the work of the following groups:

- The *Electronic Services Group* will give priority to the development of the Electronic Postal Certification Mark, the Postal Registered Electronic Mail, and *.post*.

- The *Standards Board* reported it had accorded status 0 (working draft) to three work items: name and address data sets, extensible XML-based postal product description model, and language and electronic verification notes. Its work plan is to continue the promotion of standards to higher status, improve harmonization between standards and regulations, and develop new standards in response to any requested work items.

- The work plan of the *Addressing Group* includes development of addressing standards, the TRAINPOST e-learning tool, the Universal POST*CODE DataBase (as well as marketing and collaborating with member countries to obtain data for the DataBase), and a study on addressing data management practices in member countries. The Committee noted the IB's efforts to have the World Bank include postal indicators in its projects, with the aim of enabling addressing-related projects to qualify for funding.

- The *Operations and Accounting Review Group* will continue working towards paperless accounting and operations processes, simplification of operational processes to support automation, and development of a process to deal with bad debt among postal operators.

The Committee also approved messaging standard M41 (PREDES V2.0), terminated the earlier message version PREDES V1.1 on the advance transmission of postal dispatches between postal operators, and noted the development of the newer-generation message standard PREDES V2.1, which is intended to support paperless accounting between operators.

The Committee agreed to set aside a segment of each Committee 4 meeting for an "Innovation Corner," during which external speakers would be invited to present products or practices of interest to the postal sector. At this session, Macao Post gave a presentation on "Postal Registered E-mail," highlighting the commercial potential of this product and showing how the worldwide growth in legal acceptance of digital signatures was making this product more useful.

Standards Board

Under the chairmanship of Thomas Day of the U. S. Postal Service, the Standards Board plowed through an ambitious agenda at its March 20 session.

The Board approved a new work item designated "*Open Standard Interface – Address Data File Format for OCR/VCS Dictionary Generation.*" The intent is to provide a standardized format to enable postal operators' address databases to be used directly by sortation equipment from various suppliers without costly conversion. CEN, the European Committee for Standards, will lead this work item.

The Board granted Status 0 (draft UPU Standard) to "*Extensible XML-based postal product description model and language,*" which is expected to reduce new product definition and development time, and to "*Electronic verification notes,*" which will provide the dispatch originator a rapid, electronic notice of irregularities (discrepancies between the contents of dispatches and the documentation) and the terminal dues consequences of the irregularities.

Nine Congress proposals referred to the Board by the POC were passed along to the Board's technical groups for their input, and a plan was developed on how to study each item, in order to clarify business issues and present recommendations. The Board will report back on these proposals to the 2010 POC session. Three of the proposals deal with International Mail Processing Center (IMPC) codes.

The IATA/UPU Group on EDI Issues is developing messaging standards between posts and airlines. The group created a data exchange for mail receptacles to enable tracking and planning for airmail, and will work on electronic invoicing to improve accuracy and efficiency of invoicing and payments. The Customs Data Interchange Group includes customs authorities and develops EDI messaging standards related to customs, primarily defining data elements and formats; this work is well under way. The growing importance of Radio Frequency Identification (RFID) in the postal sector has led the Board to form an RFID Standards Group to be chaired by the United States.

The Board created an ad hoc "Standards Process Review Group," to develop "rules of procedure" appropriate for the effective operation of the Board. As lead of this Review Group, the United States presented a proposed draft set of rules to the Standards Board. An IB official present expressed the view, however, that the draft rules appeared in some areas to conflict with those of the POC. Several Board members commented in support on the proposed rules, especially the concept of open membership. As a result of the differing opinions expressed, the Board decided that the Review Group would develop, with the support of the IB, revised draft rules for consideration by the Board at its October 2009 meeting, with the expectation that a finalized proposal could be submitted to the 2010 POC session.

Operations and Accounting Review Group

This Group, chaired by Pat Barnwell of the U.S. Postal Service, has initiated work, in collaboration with the Standards Board, on the new messaging standard M41 for PREDES version 2.1, which will enable paperless accounting of mail exchanged between postal operators. Several operators are already testing this draft standard, with others expected to join the testing by the end of the year.

The Group discussed the pros and cons of crafting a central networked system to manage operations and accounting procedures among postal operators and between postal operators and carriers. A consensus emerged that it would be more practical to achieve paperless processes by developing standardized messages such as PREDES V2.1 among postal

operators, rather than pursue the creation of a single central database. Accordingly, the Group decided not to include this latter goal in its work plan, but rather focus its energy on enhancing and expanding interconnectivity between postal operators and suppliers, such as airlines.

COOPERATIVES AND DIRECT REPORTING BODIES

Postal Security

Under the chairmanship of U.S. Chief Postal Inspector William Gilligan, the Postal Security Group met on March 23 to review reports and future work plans of its six project groups as summarized below:

- The future work of the *Dangerous Goods Project Group* will encompass awareness campaigns for customers and counter staff regarding dangerous and prohibited goods; produce an updated UPU publication on bombs in the post; present a compilation of detection systems (X-ray, radiological, chemical, and biological); and finalize guidelines for a manual on dangerous goods.

- The *International Revenue Protection Bulk Mail and Meters Project Group* will coordinate its work closely with the Revenue Protection Group recently formed by Consultative Committee. The future roadmap for the two Groups might include sharing of best practices, regional training dispensed by the Restricted Unions, and the pooling of technical expertise.

- The role of the *Strategic Planning Project Group* is to focus on and anticipate emerging security trends, periodically review the Postal Security Group's mission, and act as a sounding board for ideas and opportunities. The Project Group is currently evaluating proposals to restructure the Postal Security Group to achieve better global coverage, which could entail the establishment of security networks in cooperation with Restricted Unions.

- The *Global Mail Security Project Group* continues to focus on rollout and implementation of minimum security standards. The Group plans to conduct airport reviews in Beijing and London and offer an airport reviewers training course in 2009.

The Group took note of presentations on crisis management and lottery schemes. In a presentation on the NATO Civil Communications Planning Committee, Denmark stressed that crisis management plans should be framed to detect potential areas of weakness and establish roles and responsibilities in times of crisis. In North America, the electricity grid had recently been disrupted twice with a major impact on postal operations. Spain reported on lottery schemes, including those employing postal services, highlighting the need for a global consumer awareness campaign.

The Group reviewed its work on counterfeit and pirated items. The Netherlands reported on the results of survey sent to all UPU and World Customs Organization (WCO) members that revealed that most seizures of postal items involve dutiable goods. The IB presented information on a pilot program to be conducted in Milan in mid-2009 to support customs in identifying counterfeit and pirated items in the postal network and a proposal to develop cooperation with the International Medical Products Counterfeiting Taskforce (IMPACT). The aim of the latter proposal is to take a strategic approach to bridge the gap between international mailing, customs, and law enforcement agencies in a bid to combat the counterfeiting of medical products worldwide.

The Group took note of a proposed two-step approach for developing postal security standards that would include the draft physical and process security standards (including a scoring matrix and checklist) and the security certification model developed by Postal Union of the Americas, Spain and Portugal (PUASP).

Major elements of the Group's future work will include a comprehensive regional approach for training; development of guidelines for the prevention of the use of postal financial services for money laundering and terrorist financing; and coordination with IATA and the International Civil Aviation Organization (ICAO) on transport of lithium.

EMS Cooperative

At its annual General Assembly on March 25 and 26, the EMS Cooperative reported on its success of its members in growing volume and improving on-time delivery performance. During 2008, Cooperative members took part in 23 training programs around the world, including eight regional training workshops on quality of service and 12 individual member performance reviews.

The Assembly approved the Cooperative's 2009 budget, which includes increases for training programs and funding for updates to the EMS Standard Multilateral Agreement and the 2009 version of the EMS Pay-for-performance Plan.

The issue of membership criteria has become a serious matter within the organization as a result of the Cooperative's decision to make participation in the EMS Pay-for-performance Plan mandatory from January 1, 2009. While an ad hoc Cooperative team continues to explore possible solutions to reconcile the Pay-for-Performance Plan and criteria for membership, the EMS Board recommended that the Cooperative's membership compliance rules should be suspended until alternative proposals could be presented to Cooperative members, an approach that the Assembly adopted. The proposals in question were expected to be forthcoming by mid-2009.

Telematics Cooperative

The Cooperative's General Assembly elected Georgio Pomponi of Poste Italiane as the new Chair of its Management Board. The Assembly also confirmed Lev Razovskiy of Russian Post as Chair of the International Financial Services User Group and Li Xueping of China Post as Chair of the Advanced Electronic Services User Group.

The General Assembly heard the following updates on work by its User Groups:

International Mail Services User Group: Deployment of mail processing applications continues to increase. By the end of 2008, 146 postal operators were using one of the UPU applications: 74 with IPS and 64 using IPS Light. The PTC has begun work on the Postal Export Guide, a Web application that would facilitate work of postal operators by providing export information.

International Financial Services User Group: Thirty-nine postal operators currently use financial applications (postal money order transfers) developed by the Postal Technology Center (PTC), and 33 postal operators are interested in connecting to the IFS network in 2009. More than 2.8 million electronic postal money orders were processed in 2008

through the network for a total value of $400 million. The PTC introduced STEFI version 1.50, an application which offers a clearing solution for postal payment services, and announced that an updated version of IFS Light would be available soon.

Advanced Electronic Services User Group: As negotiations with ICANN concerning the *.post* top-level domain continue, User Group members were urged to study implementation of domestic applications and technological solutions that could be deployed through *.post* once these negotiations are completed. The E-Shopping Subgroup outlined a series of projects to develop key elements of the e-shopping postal market, while the International Hybrid Mail Subgroup proposed a business and technical model for its product.

Post Italiane has transferred the Electronic Postal Certification Mark plug-in for Office Word 2007 to the UPU, and improvements made to the plug-in by Macao Post will be tested by several postal operators. The standard for postal registered electronic mail had been submitted to the UPU Standards Board, which assigned it Status 0 and the designation S52. The User Group accepted Macao Post's proposal for developing UPU certification authority services. Macao Post will make its information technology infrastructure available to members during this testing phase and issue up to 5,000 individual electronic certificates to designated operators free of charge.

The General Assembly had intended to discuss and approve revisions to its Statutes and Principles of the Operations, but the necessary quorum was not achieved, so this decision was deferred to the next General Assembly.

UPU*Clearing

UPU*Clearing held its General Assembly on March 20 under the chairmanship of Sidy Ngom of Senegal. The Assembly approved the annual report on UPU*Clearing system operations; approved the provisional budget for 2010, which included a reserve of 12% for payment of overhead costs to the UPU; maintained a 25% reduction in 2010 contributions for all members; and heard a report on the operational changes under IPSAS, the new international public sector accounting standards. The Assembly instructed the Steering Committee to study updates to the UPU*Clearing operating regulations in view of recent problems with payments to the system by member operators. The Assembly also renewed postal representatives of Spain, Switzerland, and the United Arab Emirates as Steering Committee members and confirmed Senegal as Chairman of the next General Assembly.

PART II: MEETINGS OF THE COUNCIL OF ADMINISTRATION GROUPS

GOVERNANCE

CA Reform of the Union Project Group

The Reform of the Union Project Group, chaired by Belgium, created an ad hoc group to study the UPU mission statement, in which the United States will participate. Russia gave a brief presentation on the history of the mission statement thus far, stating that the proposal put forward to the Geneva Congress arose from discussions within the Strategic Planning Group in late 2007. The U.S. delegation disagreed strongly with this description of events. Closely associated with all the work of the Strategic Planning Group in the previous cycle, the U.S. noted that it had not seen any genuine discussion of the mission statement within that Group, other than a decision to reject the revised draft statement at a meeting in late 2007 of the team responsible for drafting the Nairobi Postal Strategy. However, the U.S. delegation is now encouraging a thorough debate on the subject, and understands that the Reform of the Union Project Groups will develop proposals regarding the UPU mission statement for submission to the 2012 Doha Congress.

The Project Group also formed an ad hoc team to study the legal and financial status of the cooperatives and extra-budgetary groups in which the United States, as the author of the proposals on this subject to the Geneva Congress, will take part. Other countries on the team include Israel, Italy, and Burkina Faso – that is, the chairs of the various extra-budgetary groups. Belgium suggested that the IB prepare a table showing the essential information about each extra-budgetary group. The U.S. delegation expressed support for this idea and suggested further that this table could show the contribution to UPU overhead made by each group (or withdrawal from the ordinary UPU budget) and whether each group falls into Pillar 2 (voluntary extra-budgetary groups) or Pillar 3 (voluntary payments to the UPU not connected with an extra-budgetary group) of the UPU's new financing scheme.

Universal Service Project Group

The Universal Service Project Group participated in a forum on the universal postal service, with presentations by L. Forslund, Deputy Director of Postal Affairs of the National Post and Telecom Agency of Sweden; Han Shuanming, Director of International Cooperation, State Post Bureau of China; and Muriel Baudot, Belgian Institute of Posts and Communications. Mr. Forslund and Ms. Baudot discussed work done within Europe to calculate the net cost of the universal postal service. Both noted that work in this area has been slow, with only four European countries having carried out such calculations at the same time that there is a recognized need for technical guidance, particularly in the wake of the imminent full liberalization of the European postal market.

The IB announced that it has data on the scope of universal service in over 160 UPU member countries from the last Congress cycle that it will analyze and distribute at the Project Group's next meeting. The United States recommended that the UPU publication "Status and Structure of Postal Administrations" be updated as it has remained static since 2006; the IB confirmed that this work is underway. The United States also

recommended that the topic of universal service be considered for the Postal Regulatory Forum to be held during the CA in the fall of 2009.

CA Terminal Dues Project Group

The most pressing task in this Project Group's four-year work plan, which Malaysia chairs, is to finalize an appeals process for the movement of developing countries in the transitional dues system to the target terminal dues system (to which only industrialized countries currently belong). The target system is based on domestic tariffs and features a link to quality of service. In response to concerns raised by the United Arab Emirates and Qatar on the draft appeals process, which in their view should specify the criteria that serve as a basis for appeals, an informal group, in which the United States took part, developed procedures for submission to the 2009 CA for approval, although all requests for appeals must be submitted to the IB by the end of August. The Project Group also considered a request for reclassification by the postal operator of Fiji for submission to the 2009 CA.

Interconnectivity Group

The IB gave a presentation on policy issues related to Congress resolution C63, Extraterritorial Offices of Exchange (ETOEs), and IMPC codes, and presented the results of the 17 responses received to date to the questionnaire on national policies regarding ETOEs. The full results of the study will be produced for the fall 2009 CA session, when a decision will be made on how to go forward with the study results. The IB has updated the information on ETOE policies on the UPU website in a user-friendly format. Sweden Post described its operational ETOE in Copenhagen, which was established in conjunction with Denmark Post to facilitate mail transport. Deutsche Post/DHL gave a presentation on the need for the UPU to refine the definition of ETOEs and closely study the costs of changing the structure of IMPC codes. In Deutsche Post's view, IMPC codes should be open to all operators, particularly in a liberalized environment, but use of UPU documentation should be limited to postal operators that fulfill the provisions of the UPU Convention. A small working group composed of France, Germany, and Russia will develop a questionnaire based on the recommendations in the Deutsche Post presentation. The Standards Board will await the results of this study before initiating further work on IMPC codes.

DEVELOPMENT AND COOPERATION

Technical Cooperation and Reform Project Group

The regional approach for development cooperation approved by the Geneva Congress, which includes six regional plans and a new approach for UPU presence in the field in the form of regional coordinators, will be implemented in a threefold manner: through specific national projects for the least developed countries (transfer of technology, equipment, training); Integrated Postal Reform and Development Plans (IPDPs); and training carried out mainly through online correspondence courses.

At the meeting of this Project Group, the IB presented a document on the main lines of action for development cooperation for the 2009-2012 period, which included the recommended creation of an "IPDP ad hoc support group." This group would study the

experience gained so far with application of these plans, determine the best practices of developing countries that have introduced major postal reform, and make recommendations to the October 2010 CA. The United States will chair this ad hoc group; other members will be Cameroon, China, Costa Rica, France, Portugal, Russia, Spain, and Tunisia. After questioning text indicating that the "IB defines the work [related to development cooperation] and the Restricted Unions implement it," France asked that the document be edited to show the collaborative input of member countries and the implementation of their decisions by the IB. The United States stressed that, in view of the global financial crisis, the ad hoc group should expect to meet no more than twice in Bern and perhaps once in Washington.

In a document describing the replacement of UPU regional advisors at the P 5 level with P 3 regional coordinators, the IB provided the names of those selected to fill the latter positions beginning in May 2009. Five of the seven former regional advisors applied for and were selected as regional coordinators. One of the new names was that of Jimmy Ortiz of USPS, who is the new regional coordinator for Latin America, stationed in San Jose, Costa Rica.

FINANCE AND ADMINISTRATION

Postal Economics

The Postal Economics Group, chaired by Joelle Toledano of France, discussed a range of topics, including postal financial services, postal regulation, and the impact of the global financial crisis on postal services.

Discussion of the first topic addressed the various models currently applied by postal operators and the need to explore possible product options (remittances, money orders, and traditional banking-type services) with a view towards making information about existing products available as reference material for UPU members.

Similarly, meeting participants expressed an interest in having access to updated literature on the latest global trends in postal regulation. French-speaking African countries have made arrangements to share information about postal regulatory trends, an initiative that could be emulated in other regions. The Global Express Association representative suggested that mechanisms should be put into place for sharing best practices in postal regulation from the various forums and conferences held worldwide. Canada suggested the Group study the implications for the postal sector of global trade initiatives in countries that have leapfrogged to wireless technology.

UPU STRATEGY

In mid-March, the three Project Groups that report to CA Committee 4 on UPU Strategy – which are Planning (led by Costa Rica), Implementation (Spain), and Reporting (Morocco) – met in Bern, although Committee 4 itself, which is chaired by Canada, did not convene.

Of the three groups, the United States has the greatest interest in the Implementation Group, which appears to be responsible for results-based management. This Group, for example, is tasked with refining the methodology for prioritizing the individual programs

in the UPU Programme and Budget based on surveys of the views of member countries. On the basis of an evaluation of the results of these surveys, allocations are to be made for each program. (Later, in the POC Plenary, the U.S. delegation pointed out that there must be close coordination between CA Committee 3 on Finance and Administration, which is responsible for approving the UPU budget, and CA Committee 4, which will set this methodology for prioritizing the budget items.) This Group is also expected to develop indicators for the report cards on attainment, by individual countries, of the goals in the UPU strategic plan, the "Nairobi Postal Strategy," and further develop the report cards. The IB expressed the view that the report cards should show results by region while the United States recalled the concept developed in the 2005-2008 cycle to sort the results in the reports based on economic development, for example, by the five-category country classification system adopted at the Geneva Congress. However, without individual country results, the report cards are meaningless, and without report cards, tracking implementation of the Nairobi Postal Strategy is hardly worth the effort.

The Implementation Project Group will also develop a draft set of themes for the 2010 Strategy Conference to be held at the UN Center in Nairobi. The U.S. delegation recommended that all UPU member countries should be consulted about the content of the agenda and themes for this Conference, a suggestion which was accepted.

The Planning Project Group is in charge of drafting the UPU strategy for 2013-2017, which will presumably make extensive use of questionnaires and other means to gauge the needs and interests of member countries, as well as a survey of the current state of postal markets.

The U.S. delegation raised questions about the need to maintain the Reporting Group, whose only purpose seems to be to submit a report on progress made in implementing the Nairobi Postal Strategy, a task normally performed by the IB.

CONSULTATIVE COMMITTEE

The Consultative Committee, chaired by Charles Prescott of the Global Envelope Manufacturers Association, heard updates on work being carried out in the four main areas of its work plan: addressing, revenue protection, sustainable development, and membership. A working group on addressing led by PostCom will communicate to the POC the needs of the wider postal sector, provide materials to establish a library on addressing systems, and help develop a delivery point database, a change of address system, and a global repository of address information. The Committee proposed organizing a "Global Addressing Summit" during the 2009 CA session.

The working group on revenue protection chaired by Pitney Bowes plans to draft a paper to address the importance of revenue protection for developing countries, identify best practices, and suggest concrete actions for postal operators. The paper will draw on the results of a survey to be issued in April as well as on outreach to Restricted Unions and the Postal Security Group. Under the leadership of UNI Global Union, the Committee's working group on sustainable development will consult private sector stakeholders on best practices and explore hosting a workshop.

A working group on membership development will produce a value proposition for potential members. The Latin American Association of Postal and Private Operators

(ALACOPP), the International Mailers Action Group, and UNI Global Union expressed interest in two open seats on the Consultative Committee Management Committee. A decision for filling these vacancies will be made soon.

UPU Classification of Countries and Territories

Group 1.1

Australia
Austria
Belgium
Canada
Denmark
Finland
France
Germany
Great Britain
Greece
Iceland
Ireland
Israel
Italy
Japan
Liechtenstein
Luxembourg
Monaco
Netherlands
New Zealand
Norway
Portugal
San Marino
Spain
Sweden
Switzerland
United States of America
Vatican

Group 1.2

Bahamas
Hong Kong
Overseas Territories (United Kingdom of Great Britain and Northern Ireland):
– Anguilla
– Bermuda
– British Virgin Islands
– Cayman Islands
– Turks and Caicos Islands
Kuwait
Aruba
Qatar
Singapore
Slovenia
United Arab Emirates

Group 2

Antigua and Barbuda
Bahrain
Barbados
Brunei Darussalam
Macao
Croatia
Cyprus
Czech Republic
Dominica
Estonia
Fiji
Grenada
Hungary
Korea
Malta
Netherlands Antilles
Poland
Saint Kitts and Nevis
Saudi Arabia
Slovakia
Trinidad and Tobago

Group 3

Argentina
Belarus
Belize
Botswana
Brazil
Bulgaria
Chile
China
Costa Rica
Cuba
Gabon
Jamaica
Latvia
Lebanon
Libya
Lithuania
Macedonia
Malaysia
Mauritius
Mexico
Montenegro
Nauru
Panama
Romania
Russian Federation
Saint Lucia
Saint Vincent and the Grenadines
Serbia
Seychelles
South Africa
Swaziland
Thailand
Tonga
Turkey
Ukraine
Venezuela

GLOSSARY OF ABBREVIATIONS AND TERMS

Abbreviation or term	*Full name or explanation*
CA	Council of Administration
DMAB	Direct Mail Advisory Board
EDI	Electronic Data Interchange
EMS	Express Mail Service
ETOE	Extra-territorial Office of Exchange
GMS	Global Monitoring System
IATA	International Air Transport Association
IB	International Bureau (the UPU secretariat in Bern, Switzerland)
ICANN	Internet Corporation for Assigned Names and Numbers
ICAO	International Civil Aviation Organization
IFS	An application developed by the PTC for postal financial services
IMPACT	International Medical Products Counterfeiting Taskforce
IMPC	International Mail Processing Centers
IPC	International Post Corporation
IPDPs	Integrated Postal Reform and Development Plans
IPS	International Postal System (Tracking application developed and deployed by the UPU's Postal Technology Centre)
IPS Light	A web-based version of the IPS application.
OCR/VCS	Optical Character Reader/Video Coding System
POC	Postal Operations Council
PREDES	A UPU technical standard for EDI message sent from the origin postal operator to the destination postal operator regarding international mail dispatches
PTC	Postal Technology Centre
PUASP	Postal Union of the Americas, Spain and Portugal
QSF	Quality of Service Fund
RFID	Radio Frequency Identification
UNEX	A system for measurement of the quality of service of international letter post items managed by IPC
UPU	Universal Postal Union
USPS	United States Postal Service
WCO	World Customs Organization
WTO	World Trade Organization
XML	Extensible Markup Language